



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

June 26, 2002

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 5286

Mr. Joseph Mike Caruso
HC 65 Box 221
Pipe Springs, AZ 86022

Re: Notice of Potential Non-Compliance & Division Directive, Joseph Mike Caruso, ML 26996 & ML 41354, S/025/027, Kane County, Utah

Dear Mr. Caruso:

On March 11, 2002, we received a modified small mine permit transfer form for the Caruso Mine (file number S/025/007). The form was intended to transfer state Mineral Leases #ML 27618, ML 26996 and ML 41354 from Joe's Rock Shop (c/o Marie Caruso) to Joseph M. Caruso and Loy Crapo. The form indicated that the new operators would each have 50% ownership of State Lease #ML 27618 and ML 26996, and each operator would also have the right to mine both leases.

The small mine permit transfer was not finalized because current disturbed area maps of the lease areas were not included with the transfer form. On May 23, 2002, Tom Munson of the Minerals Program staff, performed an inspection and GPS survey of these mine areas. Mr. Munson also inspected a small pit that was portrayed as being within the Trail Canyon area on State Lease #ML 27618 (under Loy Crapo's file #S/025/025). After analyzing the GPS data collected during the onsite inspection, it has been determined that this small pit is not located on lease #ML 27618, but appears to be located on State Lease #ML 48588, which is held by Robert Harris (see attached map).

The disturbance that you have created on Lease #ML 48588 has not been properly permitted, nor has it been allowed by Mr. Robert Harris. Therefore, until you properly permit this new site, ***you are hereby directed to cease all mining and removal of material from this new area and immediately reclaim this disturbance, or negotiate some other arrangement/agreement with Mr. Harris within 30-days of your receipt of this letter.*** A copy of this agreement must be sent to the Division. If you wish to challenge our GPS measurements and findings, you may provide a certified survey of the site that demonstrates otherwise.

Page 2
Mike Caruso
S/025/025
June 26, 2002

You are further directed to contact the Division within 10 days of your receipt of this letter to discuss options to remedy this situation. Please contact me at (801) 538-5286, or Tom Munson at 538-5321 in reply. Your failure to respond accordingly may result in the issuance of a formal Notice of Non-Compliance.

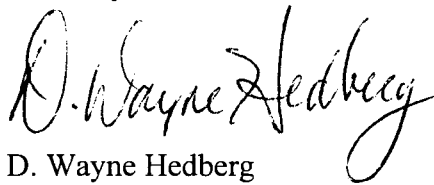
Subsequent negotiations have transpired since Mr. Munson's inspection and our receipt of the original permit transfer form, resulting in the following proposed changes to the transfer documents:

1. Mr. Crapo will be responsible for reclamation of all disturbances on ML 27618 (new file number S/025/025).
2. Mr. Caruso will be responsible for reclamation of all disturbances on combined leases ML 26996 and ML 41354 (new file number S/025/027).

Please sign and return the enclosed and revised Transfer Form within 10 days. These transfer forms have been filled out with the appropriate legal descriptions and have GPS disturbed area maps attached. *When the permit transfers are complete, we will close and retire file S/025/007.*

Thank you for your immediate attention to this matter.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Enclosures: DOGM GPS map, Revised MR-TRS form

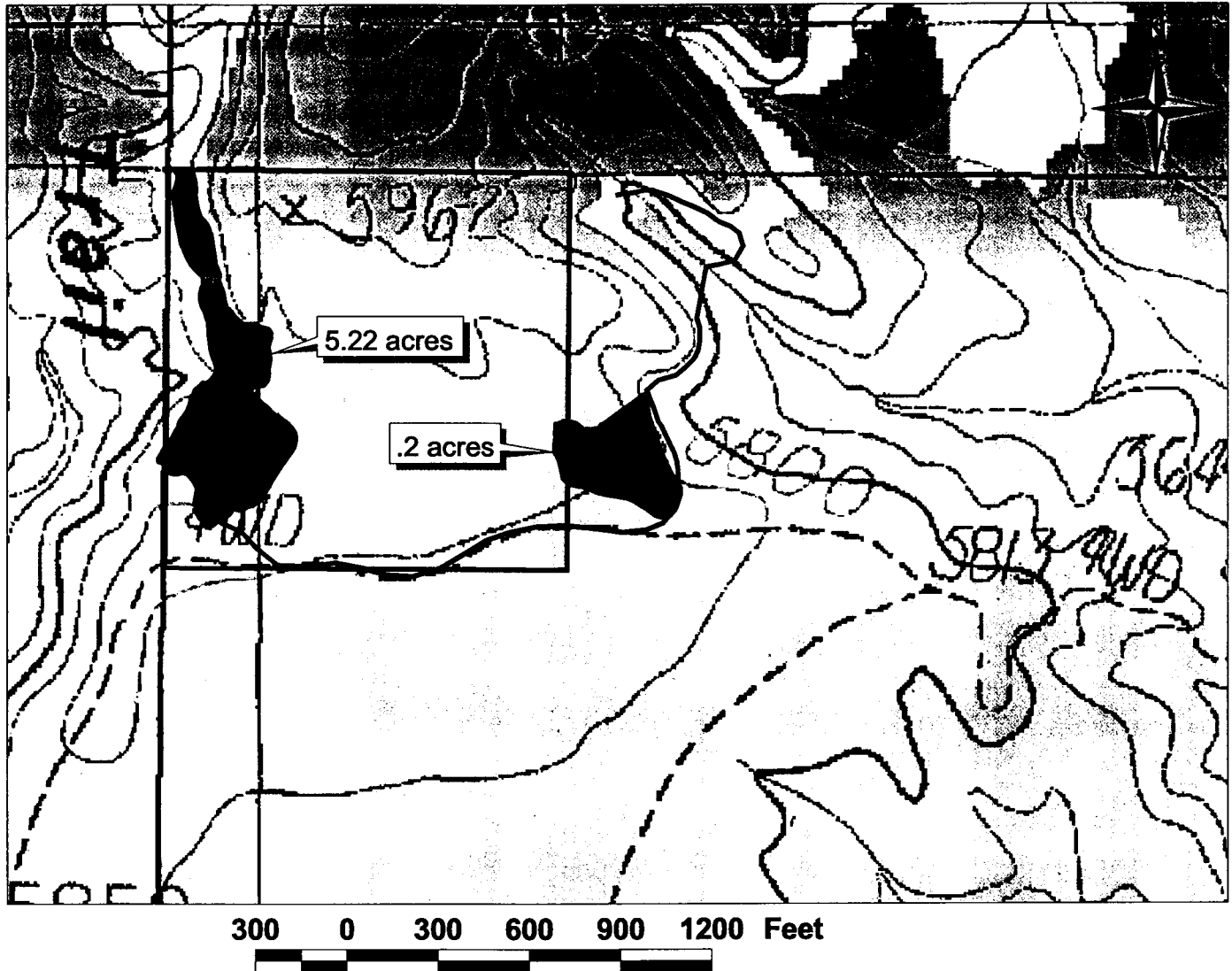
cc: Eric Lind, Kane County Attorney, 34 N Main, Kanab, UT 84741 w/maps
Robert Harris, operator w/map
Loy Crapo, operator w/maps
Will Stokes, SITLA w/maps
Tom Munson, DOGM





O:\M025-Kane\S025007Crapo-Caruso\final\potential noncomp - small mine.doc

State Lease # ML 27618
Mike Caruso/ Loy Crapo 50 % Mineral Owners
Loy Crapo Mine Permit Holder
S/025/025

NW/4 of NW/4 of Sec. 36, T40S, R8W, SLBM

Orderville Quad



-  Loy Crapo Disturbance - 5.2 +.2 acres
-  State Lease ML # 27618 Border
-  Access Road
-  Bob Harris - ML # 48588

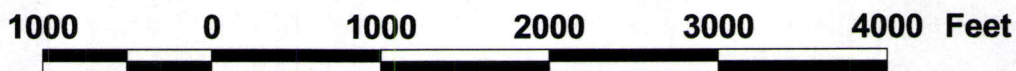
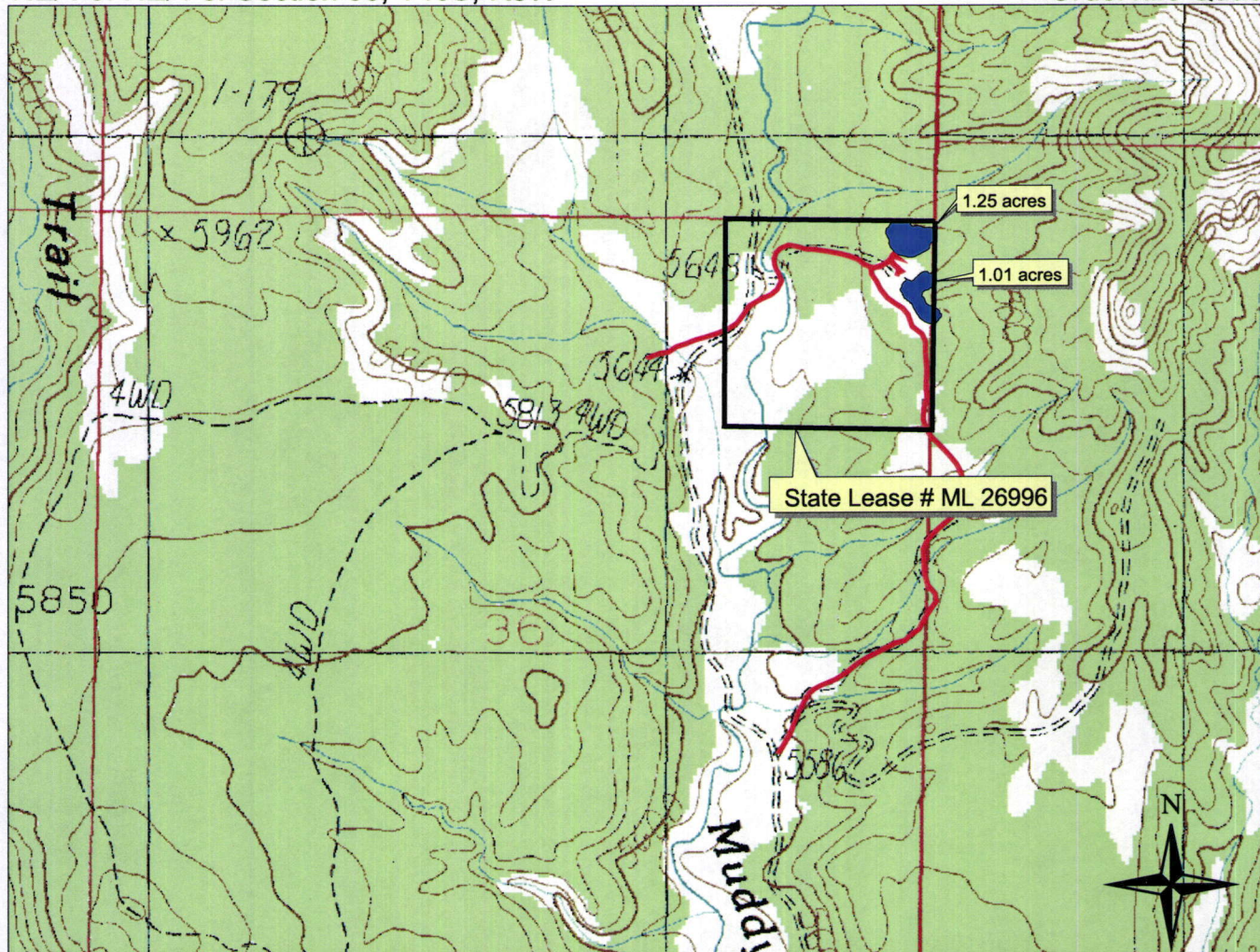
Map produced on 6/13/02 by DOGM
Data Source: GPS surveys of
6/14/2000 and 5/23/2002

This product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.

State lease # ML 26996
Mike Caruso/ Loy Crapo 50 % Mineral Owners
Mike Caruso Mine Permit
S/025/027

NE/4 of NE/4 of Section 36, T40S, R8W

Orderville Quad



- State Lease # ML 26996
- ^ Access Roads - .25 acres
- Two Disturbances- 2.25 acres

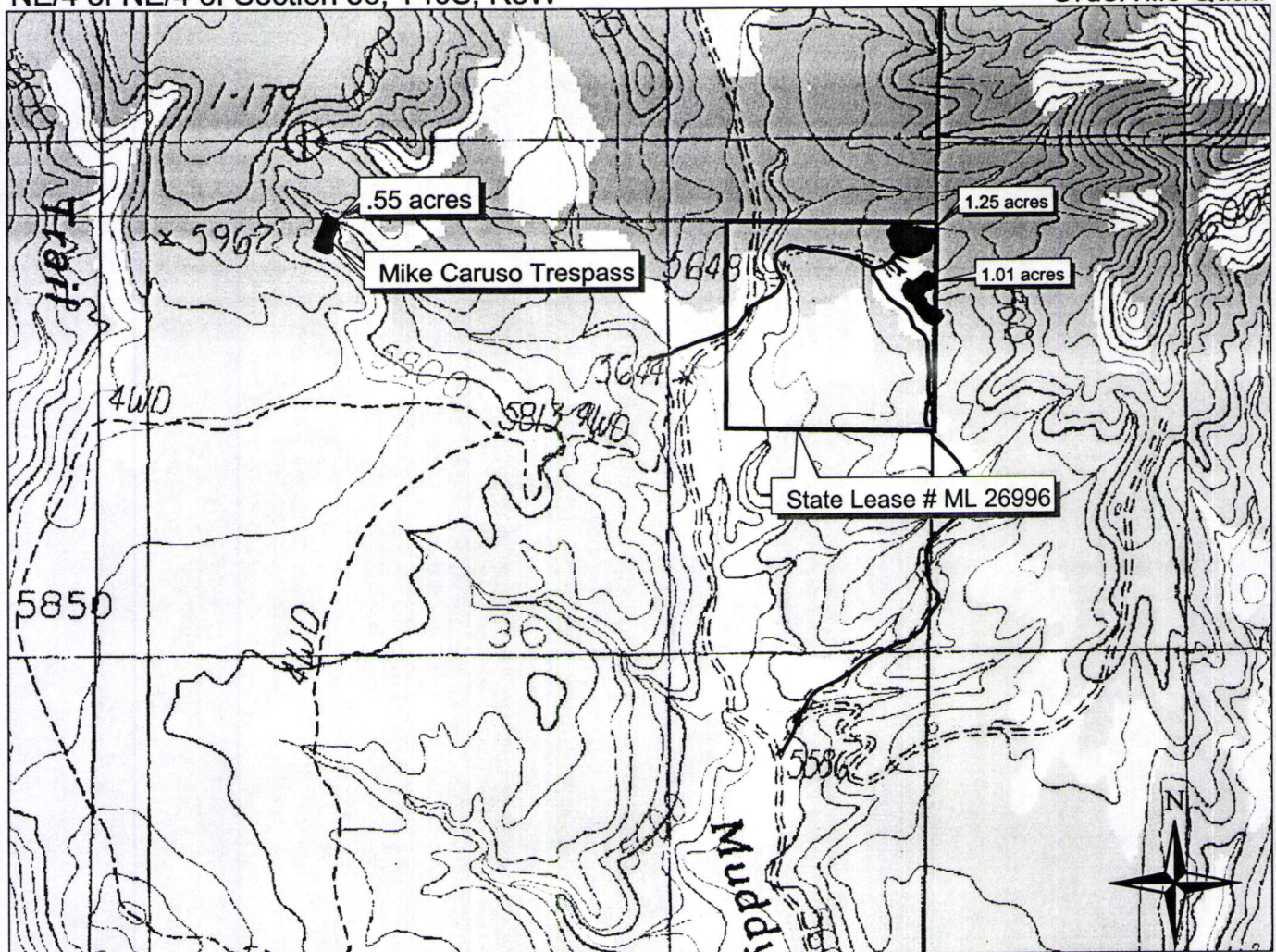
Map Produced on 6/13/2000 by DOGM
 Data Source: GPS surveys of 6/14/2000

This Product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.





State lease # ML 26996
Mike Caruso/ Loy Crapo 50 % Mineral Owners
Mike Caruso Mine Permit
S/025/027

NE/4 of NE/4 of Section 36, T40S, R8W

Orderville Quad



1000 0 1000 2000 3000 4000 Feet

-  State Lease # ML 26996
-  Access Roads - .25 acres
-  Two Disturbances- 2.25 acres
-  Trespass Disturbance- .55 acres

Map Produced on 6/13/2000 by DOGM
 Data Source: GPS surveys of 6/14/2000

This Product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.

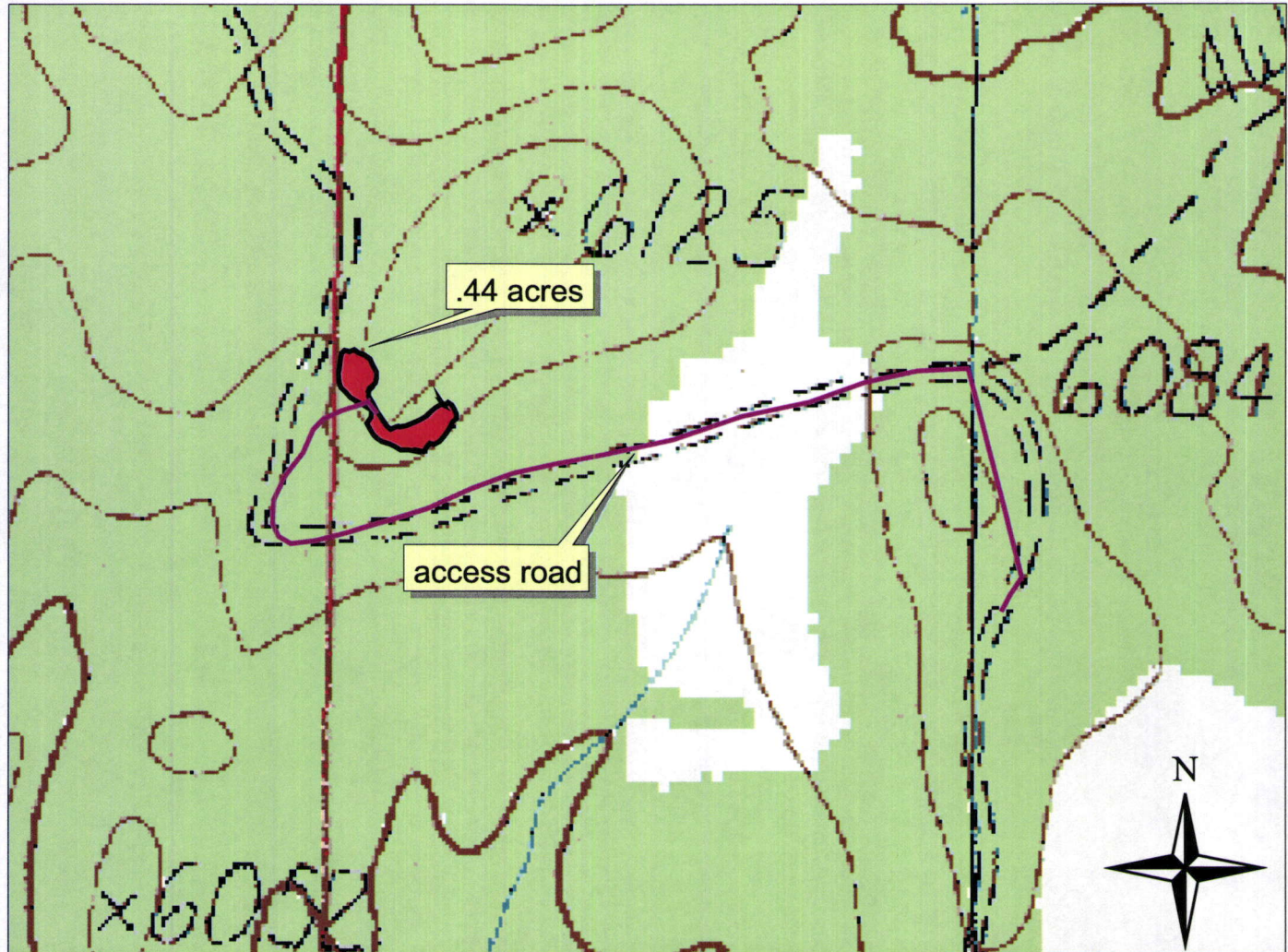
State Lease ML # 4.354

Mike Caruso Permit Holder

S/025/027

SW/4 of NW/4, Sec. 2, T.41S.,R.8 W., SLBM

Orderville Quad



300 0 300 600 Feet

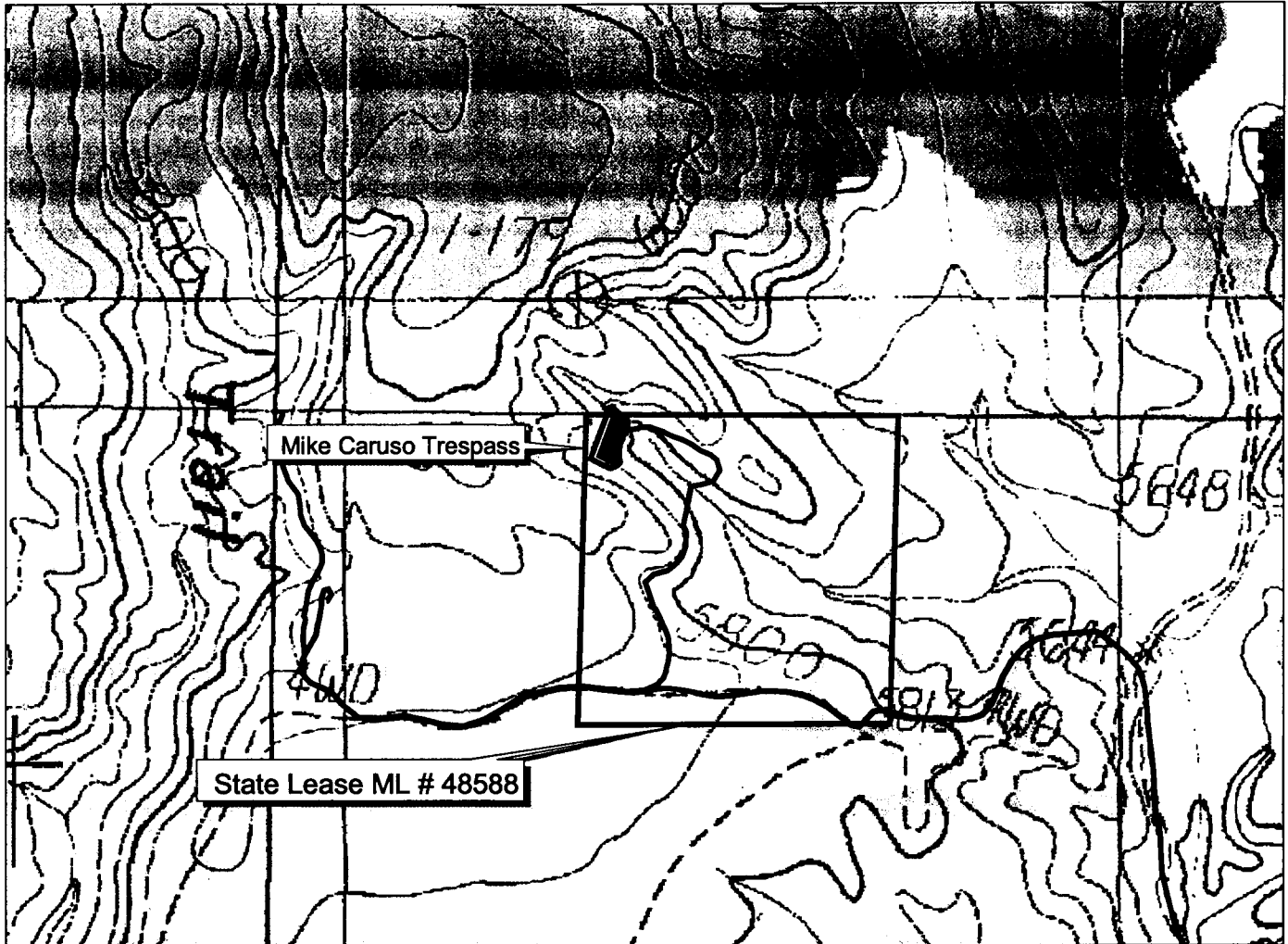
 Access Road -2639 feet

 Mining Disturbance - .44 acres

Red Area disturbed by Mike Caruso in 1999
Inspection: June 13 and 14th, 2000





This Product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers.

State Lease # ML 48588
Robert Harris Permit Holder
S/025/006
(Mike Caruso Trespass)



600 0 600 1200 1800 Feet



-  Spur Access Road
-  State Lease ML # 48588
-  Mike Caruso Trespass - .55 acres
-  Main Access Road - 9772 feet

NE/4 of NW/4 Section 36, T40 S, R7W
Quadrangle map: Orderville
Inspection Date: 5/23/02
Inspector: Tom Munson

This product may not meet DOGM standards for accuracy and content. Different data sources and input scales may cause some misalignment of data layers